



April 6, 2005

## **An Open Letter to Governor Ehrlich: Don't Be Complicit In the Legislature's Attempt to Undermine Maryland's Economy!**

Dear Governor Ehrlich:

On behalf of the more than 6,600 members of the National Taxpayers Union (NTU) in Maryland, I write to urge you to veto legislation (H.B. 391) that would raise the state's minimum wage by \$1 per hour to \$6.15 per hour (a 20 percent increase).

Economic study after economic study has shown that minimum wages – and by extension, any increase in them – do more harm than good, particularly to the very workers they aim to protect. Not only do higher minimum wages fail to raise overall wage levels, they actually reduce overall employment by making unskilled and teenage workers more expensive to hire. Worse, by raising the cost of labor to businesses, minimum wage hikes raise inflation, which sticks all consumers with an unnecessary and economically unhealthy “tax hike” and causes employers to get rid of less skilled employees or simply pick up and move elsewhere.

One common misperception among the general public is that workers tend to remain at the minimum wage over the long run. According to research by William Even of Miami University of Ohio and David Macpherson of Florida State University, of the youngest and most inexperienced workers (age 16-18), 11.6 percent earn the minimum wage. As workers age, however, much lower percentages are found at the minimum – 99.3 percent earn more than the minimum at ages 46-55. The percentage of those earning the minimum wage also declines as workers achieve higher levels of education. For those who have not finished high school, 6.2 percent earn the minimum wage. Only 1.5 percent of those who finish high school have the same level of pay.

It is important that the arguments of minimum wage advocates be taken to their logical conclusion. After all, if mandated wages really pulled workers out of poverty, why stop at merely increasing the minimum wage to \$6.15 per hour? Perhaps the economic harms of a small increase in mandated wages can be hidden within the overall economic picture, but, if Maryland were to legislate, say a \$40,000 annual wage, massive unemployment and economic dislocation would be the immediate result. Rather than performing an economically useful function, the economic harm inflicted by minimum wages simply varies based on their deviation from economic reality.

If a majority in the Legislature wants to inflict economic pain on the state's economy once again – having already raised taxes on health care earlier in the year – the Legislature will be held accountable for its economic misdeeds. However, you, as one of the few voices of reason, must stand against this madness and show Marylanders that you are serious about generating economic growth even if the Legislature is not. **Urge you to veto this economically harmful legislation!**

Sincerely,

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Director of Government Affairs